Economic Stimulus for the 21st Century or Roads to Nowhere?

State Transportation Wish Lists Show Outdated Priorities and the Need for Congress to Prevent Misspending

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Executive Summary

President-elect Obama has declared that his New Deal recovery will do more than just pump money into the economy. It will also create the infrastructure that America's needs for the 21st century.

An examination of wish lists from state Departments of Transportation (DOTs) suggests, however, that these broader goals could be undermined if Congress and the President do not establish forward-looking rules. Most DOTs have yet to divulge their submitted project lists; but a majority of the sixteen that have come to light are badly out of touch with current trends and the future needs of America's transportation system. Most stimulus project lists from state DOTs prioritize new highways while paying relatively little attention to repairing crumbling bridges and roads and even less emphasis on forward-looking transportation such as public transit and intercity rail.

The available state transportation lists for "ready-to-go" projects indicate that on average states would spend more than three-quarters of funds on highways and only sixteen percent on public transit or intercity rail. In fact, seven of the sixteen states would allocate 1 percent or less, including four that would allocate nothing at all. This would be a step backward from the share of transit funding in past federal transportation laws. It also runs against Americans' stated preferences, their long-term decline in automotive use, and their rapidly increasing ridership on public transit and intercity rail.

Similarly, of the twelve lists where adequate data was available, the states on average would spend the majority of proposed highway funds on new and expanded roads, rather than the backlog of deferred repair and maintenance projects. Half of states would spend less than a third of road funds on protecting existing assets.

To prevent a misspending of economic recovery funds, we recommend six basic principles: (1) To move America toward 21st century forms of transportation, highways should receive no more funds than the combined total for public transit, intercity rail, and bicycle and pedestrian projects; (2) Any road funds should go first to maintenance and repair of structurally deficient bridges and roads, not new highways or lanes; (3) Public transportation funds should include support for operations so agencies can accommodate record levels of ridership; (4) Surface Transportation Program highway funds should be distributed as under current law so that a portion of resources flow directly to metropolitan areas that know best about which local projects are needed; (5) For the sake of transparency, all states, cities, and agencies should publicly disclose the stimulus lists they have submitted; (6) Direct recipients of stimulus funds should report on how money was spent and whether it displaced other transportation spending.

The state wish lists reflect antiquated federal and state rules that have long favored highway construction over the repair of existing assets or other forms of transportation. The project lists do not match President-elect Obama's stated intention to use smart spending to reduce America's dependence on oil and emissions of global warming pollution. Nor do the lists reflect a lack of ready-to-go transit, intercity rail, pedestrian, or bicycle projects. We have the opportunity to spend stimulus money on things that will move us toward a 21st century transportation system, and Washington must make sure that happens.

If spent correctly, transportation infrastructure makes sense for stimulus

> *"We will create millions of jobs by making the single largest new investment in our national infrastructure since the creation of the federal highway system in the 1950s. We'll invest your precious tax dollars in new and smarter ways, and we'll set a simple rule – use it or lose it."*
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> *President-Elect Barack Obama radio address Dec 6th, 2008*

As a path to restoring economic prosperity, investment in transportation infrastructure makes a lot of sense. Infrastructure projects create jobs in construction industries which have been hit particularly hard by the housing meltdown. The impact of last year's stimulus checks were mostly diverted because most funds weren't spent and much was squandered on high gas prices.[1] But infrastructure is a far better stimulus than rebate checks. Unlike checks from the IRS, infrastructure projects are more likely to generate new economic activity. Activities can't be readily outsourced overseas; and projects can reduce America's dependency on oil.

The transportation sector greatly needs many kinds of new investment. Much of America's transportation network was built in the 1950s as part of President Eisenhower's Interstate Highway system. Those projects were completed decades ago, but a large portion of bridges and other construction are in need of repair. Across the nation, over seventy thousand bridges (or 12 percent of all bridges) are designated as structurally deficient.[2]

A well functioning and modernized transportation sector will be an important part of improved future productivity and energy security, and will reduce traffic congestion and global warming pollution. If invested properly, transportation infrastructure will both stimulate the economy and modernize it for the 21st century, without compromising on either goal.

America has learned the hard way that economic recovery spending must be accompanied by rules to ensure serious change and accountability. Many have criticized the federal Treasury Department for dispensing hundreds of billions of dollars to financial institutions without rules to ensure that recipients would use the money to make new loans to businesses and homeowners. December's Congressional defeat of a proposed auto bailout package similarly reflected a lack of confidence that public funds would be used for long-term transformative change.

The 2009 Economic Recovery package must similarly do more than pump dollars into the economy. In particular, transportation infrastructure spending provisions must assure that money will be spent on forward-looking priorities rather than simply enlarging a dysfunctional transportation system.

Not every transportation dollar is equally well spent

When roads and bridges are crumbling and public transportation systems are scrambling to keep up with booming demand, President-Elect Obama and others are right to recognize the need for investment. But it is critically important how infrastructure money gets spent. It is not enough for Congress to simply spend money. In fact, poorly thought out transportation policy contributes to many of America's most pressing problems. Consider:[3]

- Each year the average American living in an urban area spends 38 hours – nearly a full work week – stuck in traffic delays, compared to 14 hours in 1982.
- With driving increasing over past decades, transportation has become the second biggest expense for the average household – even more than health care and just behind housing costs.
- Our transportation system is the chief source of our nation's addiction to oil, leaving America vulnerable to volatile prices and hostile foreign regimes.
- Cars and trucks are the biggest end-user source of global warming pollution, contributing to a third of the nation's emissions.

Clearly, not every infrastructure dollar is created equal. New and wider highways increase oil consumption and eventually increase congestion at choke points.[4] Meanwhile, rail, rapid buses, and other forms of public transportation are more efficient ways to move people and goods. Already public transportation saves billions of gallons of gasoline each year, prevents hundreds of millions of hours of traffic delay, and avoids tens of millions of tons of global warming pollution.[5]

Americans have clearly expressed their desire for more and better public transportation. A poll by the National Realtors Association found that 75 percent of those surveyed believed that improving public transit and building communities that require less driving are the best solutions for reducing traffic, while only 21 percent—one in five—believed that building new roads was the best solution.[6] Last November, over 70 percent of ballot questions for new spending on public transit were victorious.[7]

Changing transportation habits strongly reflect these preferences. Per-capita driving began declining even before the spike in gas prices in 2007 and 2008.[8] Transit ridership has grown steadily to new records, rising 6.5 percent in the last quarter despite declining gas prices. Amtrak intercity rail has similarly seen six straight years of record growth.[9] These increases are all the more remarkable considering how budget-strapped transit agencies have often had to cut service, even in the face of booming ridership. Last year 85 percent of surveyed agencies struggled to maintain capacity and two-thirds said funds were insufficient to meet increasing demand.[10]

These forward-looking transportation choices are ready to go when economic recovery dollars are made available. A survey of 216 public transit systems by the American Public Transit Association identified over 700 transit projects that could be initiated within 90 days of federal funding. Totaling $12.2 billion, these projects would create and support 340,000 American jobs. If, as President-elect Obama has stated, a two year recovery period is considered, a total of $47.8 billion worth of public transit projects have been identified that would yield over 1.3 million jobs.[11]

Thankfully, there is no conflict between forward-looking, ready-to-go spending projects and generating large numbers of jobs. In fact, evidence suggests that public transit generates 19 percent more jobs than spending the same money on highway expansion.[12] Road repair and maintenance generates 9 percent more jobs than constructing new highways. This makes sense because repair jobs are more labor-intensive, working with existing structures rather laying down larger quantities of (often imported) concrete and steel. Road expansion projects may be even less efficient job creators than these studies indicate because they do not consider how nearly ten percent of new road costs are diverted to purchases of land and rights of way that generate few jobs; nor do they consider how the more sprawling forms of development that tend to accompany new highways are themselves typically less labor intensive to construct.[13]

Troubling indications from state wish lists

Simply sending economic recovery funds for transportation to the states through formula programs will not ensure the most effective spending for short and long term goals. We know this based on what the states themselves say they would do with the money.

As part of developing a stimulus plan, states have been asked to develop “ready to go” lists of transportation projects on which funds could be spent if made available. These lists have been collected by a national coalition of transportation reform groups.[14] They have been obtained for analysis for: Alabama, California, Colorado, Florida, Georgia, Idaho, Kansas, Maine, Massachusetts, Missouri, Nebraska, South Carolina, Tennessee, Utah, and Wisconsin. Summarized at the back of this report, these lists are not necessarily complete; but they provide a snapshot of how money would be spent without additional stipulations.

There results are troubling. In almost every state, there is a yawning gap between the kind of projects queued up for stimulus money and the priorities for 21st century transportation.

> *Transit takes a back seat* – Among the state transportation lists that have surfaced or been publicly disclosed, the average state would spend more than three-quarters of funds on highways and only sixteen percent on public transit or intercity rail.[15] In fact, seven of the sixteen states would allocate 1 percent or less toward these growing transportation modes and four would allocate nothing at all. This distribution represents a step backward from the share of funding in past federal transportation laws. It sharply contrasts with the long-term decline in automotive use and steady ridership records for transit and intercity rail.
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> *Road repairs shortchanged for lane widening and new highways* – Of the dozen states for which road projects were analyzed only Massachusetts would completely allocate road funds toward repair and maintenance projects. Colorado, in second place, still would divert almost 13 percent of road funds away from repair and maintenance. A majority of states would allocate road funds chiefly toward highway expansion. Florida, Kansas, South Carolina, Utah and Wisconsin would spend over three quarters of road funds on new capacity.

Beyond what we see in these lists, it is troubling what we don’t see. There is no good reason why so few states have made their lists public, as Wisconsin and Nebraska have. Since the public will ultimately need to pay for the billions in economic recovery spending, it is important that project lists from all 50 states be fully transparent and accessible.[16]

Six guidelines for a smart stimulus

Short-term and long-term considerations for jobs and broader economic modernization suggest the same guidelines. In order to ensure effective stimulus spending and to prevent misallocation of funds that would undermine economic recovery goals, five basic guidelines should be followed:

1. **At least as much money should be spent for public transportation and pedestrian or bike travel as for cars and trucks**. Looking toward the future, America must shift to more travel to rail, bus, and other forms of energy-efficient transportation. The net effect of transportation spending should reduce, not increase, America's consumption of oil.
2. **Spending for roads should prioritize fixing existing assets** – The country's crumbling bridges and roadways should be fixed before building new roads.
3. **Include public transportation operations to preserve jobs and record ridership** – Federal support of operations during the recovery period will quickly protect transit jobs while maintaining systems for others to efficiently and cheaply connect with jobs.
4. **Spend at the local level –** Local metropolitan areas know best about where to allocate funds for their areas. Highway dollars allocated through the Surface Transportation Program should be distributed according to current law so that a portion of funds will be allocation through metropolitan areas.
5. **Transparent decision making** – States, localities and agencies who receive funds should publicly disclose their stimulus request lists and the criteria used to request funds and then spend them.
6. **Report on how money gets spent** – direct recipients must report on how economic recovery funds were spent, the jobs created, and the impact on oil consumption.

Conclusion

The skewed allocation in state stimulus lists toward constructing new and enlarged highways does not reflect priorities outlined by President-elect Obama or congressional leaders for an economic recovery. It may reflect institutional inertia or recent experiences with an outgoing federal Department of Transportation with a reputation for holding back transit projects. States like Massachusetts demonstrate that it is possible for states to spend on more effective and far-sighted projects. Whatever other states' reasons, their Departments of Transportation are not omitting transit or repair projects because of a lack of "ready to go" opportunities. Nor would more forward-looking projects produce fewer jobs.

The economic recovery package will present an opportunity to further the new transportation priorities for the 21st century. National leaders must ensure that it does not become merely an expensive way to enlarge our present problems.

Notes:

[1] Harvard economist Martin Feldstein, who chaired the Council of Economic Advisers under President Reagan and supported the rebate checks, concludes that, "The rebates added nearly $80 billion to the permanent national debt but less than $20 billion to consumer spending. This experience confirms earlier studies showing that one-time tax rebates are not a cost-effective way to increase economic activity." http://www.nber.org/feldstein/wsj080708.pdf. According to a study by U.S. PIRG, the average household would have spent their entire stimulus on gasoline since approval of the rebate checks. See, http://www.uspirg.org/home/reports/report-archives/transportation/transportation2/squandering-the-stimulus . Another study by professors at two leading business schools show that the new spending from rebates checks that did occur was concentrated in superstores in electronics, appliances, and furniture. http://faculty.chicagogsb.edu/christian.broda/website/research/unrestricted/Stimulus%20Payments%20and%20Spending.pdf Much of these consumer goods are produced overseas.

[2] For a state-by-state breakdown, see the U.S. House Transportation & Infrastructure Committee, http://transportation.house.gov/Media/File/Full%20Committee/Bridge/Deficient%20Highway%20Bridges%20in%20the%20U%20S%20.pdf

[3] All data and sources can be found in, *A Better Way to Go: Meeting America's 21st Century Transportation. Challenges with Modern Public Transit* (March 2008), available at http://www.uspirg.org/uploads/2q/fV/2qfVu2ZrflTk-TnRQEDdDw/A-Better-Way-to-Go-vUSPIRG.pdf

[4] Over time, new highways generate new traffic, either by sparking new development in far-flung suburbs or by encouraging people who had taken other forms of transportation to drive instead. For an explanation of induced travel and citations of studies documenting this effect, see Todd Litman, Victoria Transport Policy Institute, *Generated Traffic and Induced Travel: Implications for Transport Planning*, December 22, 2008, available at http://www.vtpi.org/gentraf.pdf

[5] All data and sources can be found in, *A Better Way to Go: Meeting America's 21st Century Transportation. Challenges with Modern Public Transit* (March 2008), available at http://www.uspirg.org/uploads/2q/fV/2qfVu2ZrflTk-TnRQEDdDw/A-Better-Way-to-Go-vUSPIRG.pdf

[6] Public Opinion Strategies and National Association of Realtors, *The Key Findings From a National Survey of 1,000 Adults Conducted October 5, 7, 9-10, 2007*, available at http://www.smartgrowthamerica/narsgareport2007/narslidesgraphics.pdf

[7] http://www.apta.com/media/releases/081105_measures_pass.cfm

[8] On the decline of vehicle miles traveled, see Brookings (2008), *The Road… Less Traveled*, available at http://www.brookings.edu/reports/2008/1216_transportation_tomer_puentes.aspx

[9] American Public Transit Association, available at http://www.apta.com/research/stats/ridership/riderep/documents/08q3cvr.pdf

[10] American Public Transit Association (Sept. 2008) available at http://www.apta.com/media/releases/080909_capacity_report.cfm

[11] American Public Transit Association (Dec 2008) http://www.apta.com/media/releases/081218_new_vision.cfm . Similarly, over $1.2 billion in ready-to-go pedestrian and bicycle enhancements have been identified. See http://www.americabikes.org/stimulus.asp

[12] Setting the Record Straight: Transit, Fixing Roads and Bridges Offer Greatest Job Gains. *Decoding Transportation Policy and Practice #11*. Surface Transportation Policy Project (2004), available at *http://www.transact.org/library/decoder/jobs_decoder.pdf*

[13] *The Jobs Are Back in Town: Urban Smart Growth and Construction Employment*. Good Jobs First (Nov. 2003) available at http://www.goodjobsfirst.org/pdf/backintown.pdf

[14] Analysis of these lists has been conducted by Smart Growth America and led by Mark Stout, who worked for 25 years with the New Jersey Department of Transportation, most recently as Assistant Commissioner for Planning and Development. See also http://t4america.org/blog/archives/582#more-582

[15] The Utah list includes $3 billion of investment proposed for the "Mountain View Corridor," an intermodal project for which the money could be spent on roads or transit/rail. Taking a conservative approach, the present analysis assumes that this entire amount would be spent on transit. If it were instead spent entirely on highways, the aggregate transit spending proportion for all 16 states would fall to 14.7 percent.

[16] On the multiple benefits of online posting of state expenditures and bids, see Transparency.gov 2.0, available at http://www.masspirg.org/uploads/av/VF/avVFUhvhAeBN4_jyHK_FPw/MAPIRG-TransGov-final.pdf